

**SOCIETATEA NAȚIONALĂ DE TRANSPORT GAZE NATURALE
„TRANSGAZ” S.A.**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

**PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING
STANDARDS AS ADOPTED BY THE EUROPEAN UNION**

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STATEMENT OF FINANCIAL POSITION
(expressed in RON thousand, unless otherwise stated)

	<u>Note</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
ASSETS				
Non-current assets				
Intangible assets	9	2,516,910	2,526,600	2,245,125
Property, plant and equipment	7	702,167	732,358	726,170
Available for sale financial assets	10	65,384	38,333	14,423
Trade and other receivables	12	-	-	6,716
		<u>3,284,461</u>	<u>3,297,291</u>	<u>2,992,434</u>
Current assets				
Inventories	11	43,226	27,629	34,877
Trade and other receivables	12	370,803	349,985	260,716
Cash and cash equivalents	13	<u>274,147</u>	<u>197,511</u>	<u>196,566</u>
		<u>688,176</u>	<u>575,125</u>	<u>492,159</u>
Total assets		3,972,637	3,872,416	3,484,593
EQUITY AND LIABILITIES				
Shareholders' equity				
Share capital	14	559,157	559,157	559,157
Share premium	14	247,479	247,479	247,479
Other reserves	15	1,265,797	1,265,797	1,265,797
Retained earnings	15	<u>996,349</u>	<u>950,747</u>	<u>736,592</u>
		<u>3,068,782</u>	<u>3,023,180</u>	<u>2,809,025</u>
Non-current liabilities				
Long term borrowings	16	72,000	78,710	41,569
Provision for employee benefits	21	28,937	25,513	23,293
Deferred income	17	350,312	296,388	174,729
Deferred tax liability	18	<u>80,044</u>	<u>85,340</u>	<u>89,326</u>
		<u>531,293</u>	<u>485,951</u>	<u>328,917</u>
Current liabilities				
Trade and other payables	19	291,752	296,652	261,520
Provision for liabilities and charges	20	3,804	5,736	185
Current income tax liabilities	18	26,808	22,126	25,794
Short term borrowings	16	<u>50,198</u>	<u>38,771</u>	<u>59,152</u>
		<u>372,562</u>	<u>363,285</u>	<u>346,651</u>
Total liabilities		903,855	849,236	675,568
Total equity and liabilities		<u>3,972,637</u>	<u>3,872,416</u>	<u>3,484,593</u>

These financial statements have been approved for issue by the Board of Directors on 5 April 2012.

Florin Cosma
General Manager



Radu Moldovan
Economic Department Manager

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
 (expressed in RON thousand, unless otherwise stated)

	<u>Note</u>	<u>Year ended</u> <u>31 December 2011</u>	<u>Year ended</u> <u>1 December 2010</u>	<u>Year ended</u> <u>31 December 2009</u>
Revenue		1,336,979	1,308,103	1,181,930
Other income	22	<u>61,524</u>	<u>29,626</u>	<u>32,060</u>
		1,398,503	1,337,729	1,213,990
Depreciation and amortisation	7, 9	(159,559)	(142,993)	(135,712)
Wages, salaries and other employment related expenses		(271,659)	(250,201)	(239,549)
Gas, materials and consumables used		(157,919)	(152,028)	(173,813)
Royalty expense		(133,698)	(130,810)	(118,193)
Maintenance and transportation		(121,496)	(127,445)	(98,848)
Other employee benefits	26	(50,813)	(49,930)	(50,898)
Taxes and other State dues		(14,285)	(20,972)	(6,732)
Provision for employee benefits (charge)/release	21	(1,266)	38	915
Provision for liabilities and charges		1,932	(5,551)	(185)
Other operating expenses	23	<u>(47,705)</u>	<u>(27,505)</u>	<u>(34,586)</u>
Operating profit		442,035	430,332	356,389
Finance income	23	59,118	34,165	38,453
Finance costs	24	(39,422)	(25,881)	(20,800)
Profit before tax		461,731	438,616	374,042
Income tax expense	18	<u>(77,393)</u>	<u>(71,167)</u>	<u>(133,517)</u>
Net profit for the period and total comprehensive income for the period		<u>384,338</u>	<u>367,449</u>	<u>240,525</u>
Earnings per share, basic and diluted (in RON per share)	28	32.64	31.21	20.43

The accompanying notes 1 to 31 are an integral part of these financial statements.

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY
 (expressed in RON thousand, unless otherwise stated)

	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total equity</u>
Balance at 1 January 2009		<u>559,157</u>	<u>247,479</u>	<u>1,265,797</u>	<u>619,340</u>	<u>2,691,773</u>
Profit and total comprehensive income for the year		-	-	-	240,525	240,525
<i>Transactions with owners</i>						
Dividends for 2009	15	-	-	-	(123,273)	(123,273)
Balance at 31 December 2009		<u>559,157</u>	<u>247,479</u>	<u>1,265,797</u>	<u>736,592</u>	<u>2,809,025</u>
Profit and total comprehensive income for the year		-	-	-	367,449	367,449
<i>Transactions with owners</i>						
Dividends for 2010	15	-	-	-	(153,294)	(153,294)
Balance at 31 December 2010		<u>559,157</u>	<u>247,479</u>	<u>1,265,797</u>	<u>950,747</u>	<u>3,023,180</u>
Profit and total comprehensive income for the year		-	-	-	384,338	384,338
<i>Transactions with owners</i>						
Dividends for 2011	15	-	-	-	(338,736)	(338,736)
Balance at 31 December 2011		<u>559,157</u>	<u>247,479</u>	<u>1,265,797</u>	<u>996,349</u>	<u>3,068,782</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

CASH FLOW STATEMENT

(expressed in RON thousand, unless otherwise stated)

		Year ended	Year ended	Year ended
	Note	31 December 2011	31 December 2010	31 December 2009
Cash generated from operations	25	560,886	519,504	418,793
Interest paid		(7,199)	(2,208)	(7,179)
Interest received		18,201	14,907	34,555
Income taxes paid		<u>(78,007)</u>	<u>(78,820)</u>	<u>(51,445)</u>
Net cash inflow from operating activities		493,881	453,383	394,724
Cash flow from investment activities				
Payments to acquire property, plant and equipment and intangible assets		(118,804)	(404,144)	(376,728)
Proceeds from disposal of property plant and equipment		716	355	92
Acquisition of financial investments, net		<u>(27,041)</u>	<u>(23,902)</u>	<u>(13,948)</u>
Net cash used in investment activities		(145,129)	(427,691)	(390,584)
Cash flow from financing activities				
Dividends paid		(335,219)	(152,831)	(122,501)
Cash received from connection fees		58,488	81,248	45,359
Proceeds from long term borrowings		44,500	75,500	-
Repayments of long term borrowings		<u>(47,671)</u>	<u>(28,664)</u>	<u>(32,019)</u>
Net cash used in financing activities		(279,902)	(24,747)	(109,161)
Net change in cash and cash equivalents		68,850	945	(105,021)
Cash and cash equivalents at the beginning of the year	13	<u>197,511</u>	<u>196,566</u>	<u>301,587</u>
Cash and cash equivalents at the end of the year	13	<u>266,361</u>	<u>197,511</u>	<u>196,566</u>

The accompanying notes 1 to 31 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The core activity of the National Company for Transportation of Natural Gas – SNTGN Transgaz SA (“the Company”) is the transport and dispatch of natural gas. The Company also maintains and operates the national gas transportation system, is involved in international transit of natural gas and carries out research and design activities in the field of equipment for the natural gas industry. The Company is majority owned by the Romanian State through the Ministry of Economy, Trade and Business Environment.

The Company was set up in May 2000, following several reorganisations of the gas sector in Romania; its predecessor was the former national gas monopoly SNGN Romgaz SA (“the Predecessor Company”) which was unbundled based on Government Decision 334/2000.

The gas sector is regulated by the National Agency for Regulation of the Energy Sector (“Agenția Națională pentru Reglementare în Energie” – “ANRE”). The main responsibilities of ANRE are the following:

- issuance or withdrawal of licenses for companies operating in the natural gas sector;
- publication of framework contracts for sale, transport, acquisition and distribution of natural gas;
- setting criteria, requirements and procedures related to the selection of eligible consumers;
- setting pricing criteria and computation methods for the natural gas sector.

The Company has its registered office in I.C. Motas Square Nr 1, Medias, Romania.

These financial statements were authorised for issue by the Board of Directors on 5 April 2012.

Since January 2008, the Company is listed on Bucharest Stock Exchange, on the first tier of the market, under the symbol TGN.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

2. OPERATING ENVIRONMENT OF THE COMPANY

Romania

Romania still displays certain characteristics of an emerging market, including relatively high inflation and high interest rates. The global financial crisis has had a severe effect on the Romanian economy since mid-2008:

- (i) Decreased international economic activity has resulted in lower income from exports, lower domestic demand and lower remittances from Romanians working abroad. Romania's economy contracted in 2009, 2010 and had a 2.5% increase in 2011.
- (ii) The rise in Romanian and emerging market risk premiums resulted in an increase in foreign financing costs. Romania was downgraded below investment grade by the main rating agencies in 2009. During 2011, the rating was revised to investment grade.
- (iii) The depreciation of the Romanian RON against the main currencies (The official European EURO (EUR) exchange rate of the Central Bank of Romania ("CBR") increased from RON 3.7348 at 1 October 2008 to RON 4.2282 at 31 December 2009 and to RON 4.2848 at 31 December 2010 and 4.3197 at 31 December 2011) increased the burden of foreign currency corporate debt, which has risen considerably in recent years.
- (iv) As a result of decreased economic activity, Government revenues decreased and the Government incurred large fiscal deficits in 2009 and 2010. In 2011 the fiscal deficit was in accordance with forecasts, being below 5%.

Certain debtors of the Company were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers and debtors were reflected in revised estimates of expected future cash flows in impairment assessments.

The volume of financing available in particular from overseas has significantly reduced since the onset of the crisis. Such circumstances may affect the ability of the Company to obtain new borrowings in the future, in the same conditions.

The tax and currency legislation within Romania is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Romania.

The future economic direction of Romania is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments. Management is unable to predict all developments in the economic environment which could have an impact on the Company's operations and consequently what effect, if any, they could have on the financial position of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS"). The financial statements have been prepared under the historical cost convention except for available for sale financial assets which are presented at fair value.

The preparation of financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

New Accounting Pronouncements

The Company applied the following standards and interpretations effective for periods beginning on or after 01 January 2011:

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. As a result of the revised standard, the Company now also discloses contractual commitments to purchase and sell goods or services to its related parties, and provided disclosures of only individually significant transactions with government – related entities.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New or revised standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 1 January 2011, but not currently relevant to the Company

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on the acquiree's share-based payment arrangements that were not replaced, or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date, and not the amount obtained during the reporting period; IAS 1 was amended to clarify the requirements for the presentation and content of the statement of changes in equity; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits. The above amendments resulted in additional or revised disclosures, but had no material impact on measurement or recognition of transactions and balances reported in these financial statements. The financial effect of collateral required to be disclosed by the amendments to IFRS 7 is presented in these financial statements by disclosing collateral values separately for (i) those financial assets where collateral and other credit enhancements are equal to, or exceed, carrying value of the asset ("over-collateralised assets") and (ii) those financial assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets"). Each company shall apply the amendments referred to in points (3) [IFRS 3], (7) [IFRS 3 amendments to IFRS 7, IAS 32 and IAS 39] and (8) [IAS 21, IAS 28 and IAS 31] of Article 1, at the latest, as from the commencement date of its first financial year starting after 30 June 2010. Each company shall apply the amendments referred to in points (1) [IFRS 1], (2) [IFRS 7], (4) [IAS 1], (5) [IAS 34] and (6).

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[IFRIC 13] of Article 1, at the latest, as from the commencement date of its first financial year starting after 31 December 2010.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The interpretation did not have any material effect on these financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The amendment did not have any material effect on these financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment applies to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The amendment did not have any material effect on these financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, Financial Instruments: Disclosures. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment did not have any effect on these financial statements.

New or Revised Standards & Interpretation not yet adopted by the European Union

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9, issued in November 2009, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent payments of principal and interest only (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation - special purpose entities". IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance.

IFRS 11, Joint Arrangements, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities—Non-Monetary Contributions by Ventures". Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures.

IFRS 12, Disclosure of Interest in Other Entities, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 "Investments in associates". IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 13, Fair value measurement, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, Consolidated Financial Statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income'.

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position.

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes.

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2012). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, Income Taxes – Recovery of Revalued Non-Depreciable Assets, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, Property, Plant and Equipment, was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013). The interpretation clarifies that benefits from the stripping activity are accounted for in accordance with the principles of IAS 2, Inventories, to the extent that they are realised in the form of inventory produced. To the extent the benefits represent improved access to ore, the entity should recognise these costs as a 'stripping activity asset' within non-current assets, subject to certain criteria being met.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement.

Disclosures—Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards - Government loans. The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers.

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision - maker. The chief operating decision – maker , who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3.3 Foreign currency transactions

a) Functional currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RON, which is the functional and presentation currency of the Company.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At 31 December 2011, the exchange rate of the National Bank of Romania, was US Dollar ("USD") 1 = RON 3.3393 (31 December 2010: USD 1 = RON 3.2045; 31 December 2009: USD 1 = RON 2.9361) and Euro ("EUR") 1 = RON 4.3197 (31 December 2010: EUR 1 = 4.2848; 31 December 2009: EUR 1 = 4.2282).

3.4 Accounting for the effect of hyperinflation

Romania has previously experienced relatively high levels of inflation and was considered to be hyperinflationary as defined by IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at 31 December 2003. As the characteristics of the economic environment of Romania indicate that hyperinflation has long ceased, effective from 1 January 2004 the Company no longer applies the provisions of IAS 29.

Accordingly, the amounts expressed in the measuring unit current at 31 December 2003 were treated as the basis for the carrying amounts in these financial statements.

3.5 Intangible assets

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (three years). Costs associated with developing or maintaining computer software are recognized as an expense as incurred.

Service concession agreement

Starting with 2010, the Company, in accordance with the EU endorsement process started to apply IFRIC 12, Service Concession Arrangements, as adopted by EU. In scope of IFRIC 12 are: infrastructure that existed at the time the concession agreement was signed and also modernisations and improvements done to the pipeline system that is transferred to the regulator for no consideration at the end of the concession agreement.

As presented in Note 8, the Company has the right to charge the users of the public service, and consequently, an intangible asset was recognised for that right.

Due to the fact that it was impracticable to apply IFRIC 12 retrospectively, in accordance with the transition requirements, prior to the earliest period presented (31 December 2008) the Company recognised intangible assets that existed at the start of the earliest period presented and used the respective carrying amounts of those intangible assets (previously classified as tangible assets) as their carrying amounts as at that date. The Company tested the intangible assets recognised at that date for impairment and no impairment has been identified.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of replacements is expensed as incurred, while upgrades to assets used under the Service Concession Agreement ("S.C.A.") are recognised at fair value.

The intangible asset is amortised to nil over the remaining period of the concession agreement.

3.6 Property, plant and equipment

Buildings comprise mainly buildings ancillary to operating assets (e.g. buildings housing pumping stations, gas treatment stations etc.), a research centre and office buildings.

Transportation system assets consist of the assets comprising the national gas pipeline transportation system (e.g. pipelines, compressors, gas processing equipment, measuring devices etc.). These assets were either part of the Public Property Assets subject of the concession agreement with the state (see Note 3.8) or built by the Company subsequently.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Buildings	50
Assets in the gas transportation system	20 - 50
Other fixed assets	4 - 20

Prior to 31 December 2008, borrowing costs were expensed as incurred. Starting with 1 January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are those borrowing costs that would have been avoided if the expenditure on the qualifying asset had not been made. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the expenditures on that asset.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within the statement of comprehensive income of the period in which the sale occurred.

3.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

3.8 Public property assets

In accordance with the Public Property Law 213/1998, gas transportation pipelines represent State property. Government Decision 491/1998, as confirmed by Government Decision 334/2000, specifies that fixed assets with a historical statutory gross book value of RON 474,952 thousand (at 31 December 2010 and 2009 a statutory historical gross book value RON 482,787 thousand), representing gas pipelines are to be administered by the Company. Therefore, the Company has the exclusive right to use these assets over the concession period and will return them to the State at the end of the period (see Note 8). The Company receives the majority of the benefits associated with the assets and is exposed to the majority of risks, including the requirement to maintain the network assets over a period which is at least equal to their remaining useful life, and the Company's financial performance is directly linked to the condition of the network system. Consequently, before 1 January 2010, the Company has recognized these assets as property, plant and equipment, together with a corresponding reserve in equity. Accounting policies applied for these assets were the same as for the Company's other property, plant and equipment (Notes 3.7 and 3.8).

As detailed in Note 3.5 the Company adopted IFRIC 12 (Service Concession Agreements) starting with 1 January 2010 and reclassified these assets, together with the improvements made to them by the Company as intangible assets.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As per the Public Concession Law 238/2004, a royalty must be paid in respect of public property assets which are administered by companies other than state bodies. The royalty rate for the gas transportation pipelines is set by the government. Starting from October 2007, the royalty was set at 10% of the revenues. The duration of the concession agreement is 30 years to 2032.

3.9 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Note 3.11 and 3.14).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months after the end of the reporting period.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as 'gains and losses from investment securities'.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Impairment of financial assets

The Company assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of that asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flow of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as default or delinquency in interest or principal payments;
- The company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy, or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties, or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - Adverse changes in the payment status of borrowers in the portfolio; and
 - National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

a) Assets carried at amortised cost

Impairment testing of trade receivables is described in Note 3.11.

For loans and receivable category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient the company may measure the impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Assets classified as available for sale

The Company assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed and any subsequent gains are recognised through other comprehensive income.

3.10 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first in first out cost method. Where necessary, provision is made for slow moving and obsolete inventories in order to arrive at the net realizable value. Obsolete or defective inventories identified individually are provided for in full or written-off. For slow moving inventories, an estimation of the age of inventories based on their turnover is made for each main category.

3.11 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.12 Value added tax

Value added tax (VAT) is payable to the Tax Authorities based on the monthly VAT return by the 25th of the following month irrespective of collection of receivables from customers. The Fiscal Authorities permit the settlement of VAT on a net basis. When input VAT is higher than output VAT, the difference is refundable at the Company's request. The VAT refund may be made after a tax inspection is performed or without a tax inspection, if certain conditions are met. VAT related to sales and purchases which has not been settled at the end of the reporting period is recognised in the statement of financial position on a net basis and disclosed as a current asset or liability. Where provision has been made for impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT needs to be paid to the State and can only be recovered after the debtor is declared bankrupt.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

3.14 Shareholders' equity

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends

Dividends are recognized as a liability and deducted from equity at the end of the reporting period only if they are declared before or at the end of the reporting period. Dividends are disclosed when they are proposed before the end of the reporting period or proposed or declared after the end of the reporting period but before the financial statements are authorized for issue.

3.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Current and deferred income tax

The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.16 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.17 Deferred income

Deferred income is recorded for connection fees charged to customers for connecting them to the gas transportation network. The deferred income is recognised in profit or loss over the useful life of the related assets which are installed on connection (connection pipes, gas flow regulator, meters).

3.18 Employee benefits

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees for social security, health and pension benefits. All employees of the Company are members of the Romanian State pension plan, which is a defined contribution plan. These payments are recognised within profit or loss together with the salary expenses.

Benefits on retirement

Under the collective labour contract, the Company should pay to its employees at the time of their retirement an amount equal to a multiplier of their gross salary depending on the employment period in the gas industry, working conditions, etc. The Company has recorded a provision for such payments (see Note 21).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Social costs

The Company incurs employee costs related to the provision of benefits such as health services. These amounts principally represent an implicit cost of employing production workers and, accordingly, have been charged to wages and salaries costs.

Free gas

The Company is also committed through the collective labour agreement to provide current employees free of charge certain quantities of gas or the cash equivalent (see Note 26); these amounts are charged to "Other employee benefits" in the period in which they are incurred. The value of this gas is calculated at the regulated selling price applied to the agreed quantity as per the collective labour contract.

Profit-sharing and bonus plans

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Company recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

3.19 Provisions for liabilities and charges

Provisions for liabilities and charges are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services and / or goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Revenue from services

Revenue from gas transportation and transit is recognized when the gas has been delivered to the distribution networks or facilities of the customers and measured in accordance with contract. Quantities of gas transported are measured and billed to clients on a monthly basis.

b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

c) Dividend income

Dividends are recognised when the right to receive payment is established.

d) Mutual cancellation and barter transactions

A relatively small portion of sales and purchases are settled by mutual cancellations or non-cash settlements. These transactions are generally in the form of cancellation of balances either bilaterally or through a chain involving several companies.

Sales and purchases that are expected to be settled by barter or other non-cash settlements are recognised based on the management's estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

Non-cash transactions have been excluded from the cash flow statement, so investing activities, financing activities and the total of operating activities represent actual cash flows.

e) Revenue from penalties

Revenues from penalties for late payment are recognised when they are realised; because of the high degree of uncertainty, these revenues are considered to be realised when they are actually collected.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

(a) Market risk

(i) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from recognised assets (Note 12) and liabilities, mainly long-term borrowings (Note 16).

The Company does not have formal arrangements to mitigate currency risks of its operations; and the Company does not apply hedge accounting. However, management believes that the Company is largely secured from foreign exchange risks as foreign currency denominated sales (principally transit revenues) are used to cover repayment of foreign currency denominated borrowings.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the Company's functional currency, with all other variables held constant:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<i>Impact on profit and loss and on equity of:</i>			
US Dollar strengthening by 10%	9,814	7,983	(1,758)
US Dollar weakening by 10%	(9,814)	(7,983)	1,758
Euro strengthening by 10%	10,568	4,221	662
Euro weakening by 10%	(10,568)	(4,221)	(662)

(ii) Price risk

The Company is exposed to commodity price risk related to gas acquired for its own consumption. If the price of gas had been 5% higher/lower, net profit for the year would have been lower/higher by RON 5,633 thousand (2010: RON 5,642 thousand; 2009: RON 6,253 thousand).

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk through its interest-bearing short and long-term borrowings, the majority of which are at variable rates. The Company is also exposed to interest rate risk on its bank deposits. The Company has not entered into any arrangements to mitigate this risk. For the average exposure during 2011, if interest rates had been 50 basis points lower/higher with all other variables held constant, profit for the year and equity would have been RON 617 thousand (2010: profit RON 1,083 thousand; 2009: profit RON 15 thousand) lower / higher, as a result of reductions in the interest received on bank deposits, partly offset by lower interest expense on variable interest liabilities.

(b) *Credit risk*

Credit risk arises mainly from cash and cash equivalents and from trade receivables. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of bad debt provision, represents the maximum amount exposed to credit risk. The Company's credit risk is concentrated in its top 5 clients, which together amount to 79% of trade receivable balance at 31 December 2011 (2010: 83%; 2009: 75%). Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provision already recorded.

Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

	2011
BB-	97,688
BB+	76,566
BBB-	6,157
BBB+	93,544
	<u>273,955</u>

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities.

Cash flow forecasting is performed. Company's finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 16) at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Company finance department invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below shows liabilities at 31 December 2011 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. The maturity analysis of financial liabilities at 31 December 2011 is as follows:

	<u>Total amount</u>	<u>less than 1 year</u>	<u>1-5 years</u>	<u>over 5 years</u>
Borrowings	136,656	56,755	79,901	-
Trade and other payables	197,689	197,689	-	-
	<u>334,345</u>	<u>254,444</u>	<u>79,901</u>	<u>-</u>

The maturity analysis of financial liabilities at 31 December 2010 was as follows:

	<u>Total amount</u>	<u>less than 1 year</u>	<u>1-5 years</u>	<u>over 5 years</u>
Loans and borrowings	133,696	45,670	88,026	-
Trade and other payables	217,189	217,189	-	-
	<u>350,885</u>	<u>262,859</u>	<u>88,026</u>	<u>-</u>

The maturity analysis of financial liabilities at 31 December 2009 was as follows:

	<u>Total amount</u>	<u>less than 1 year</u>	<u>1-5 years</u>	<u>over 5 years</u>
Loans and borrowings	108,746	64,060	44,686	-
Trade and other payables	171,855	171,855	-	-
	<u>280,601</u>	<u>235,915</u>	<u>44,686</u>	<u>-</u>

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. There are no externally imposed capital requirements.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

During 2011, the Company's strategy, which was unchanged from 2010 and 2009 was to keep the gearing ratio as low as possible in order to maintain a significant capacity to borrow funds for future investments if and when necessary. The net gearing ratio was nil at 31 December 2011, 2010 and 2009:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total borrowings (Notes 16)	114,412	117,481	100,721
Less: cash and cash equivalents (Note 13)	<u>(266,361)</u>	<u>(197,511)</u>	<u>(196,566)</u>
Net cash position	<u>(151,949)</u>	<u>(80,030)</u>	<u>(95,845)</u>

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

5.1 Assumptions to determine amount of provision for retirement benefits

This provision has been computed based on the estimations of the average salary, average staff turnover, and average number of salaries to be paid at the time of the retirement and the time frame when the benefits are to be paid. The provision has been discounted to its present value by applying a discount factor based on the risk free interest rate (i.e. interest rate on government bonds).

5.2 Accounting treatment for concession agreement

As further described in Note 8, in May 2002, the Company has concluded a Service Concession Agreement with National Agency for Mineral Resources ("ANRM") giving the Company the right to operate the pipelines of the national gas transportation system for a period of 30 years. Before the conclusion of this agreement, the pipelines were owned by the Company. According to the clauses of this agreement, the Company receives the majority of the benefits associated with the assets and is exposed to the majority of risks. Consequently, the Company has recognized these assets in its statement of financial position, together with a corresponding reserve in equity. Starting with 2010 the Company has applied IFRIC 12 (Note 3.5).

5.3 Accounting treatment for royalties paid for the use of the national gas transportation system

As described in Note 8, the Company pays royalties, computed as a percentage of revenues from operating the national gas transportation system's pipelines. These costs have been recognised as an expense rather than a deduction from revenues because they are not of the nature of a tax collected from customers and passed on to the State, due to the nature of the business and regulatory environment:

- the Company's revenues are based on tariffs approved by a different regulator than the regulator setting the royalty level;
- the royalty expense is only one of the elements taken into account in computing the transportation tariff;
- recovery of any increases in royalty in full through future tariff increases is not guaranteed; and
- tariffs may increase with up to a year's delay after changes in royalty (if at all).

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

6. SEGMENT INFORMATION

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2011 is as follows:

	<u>Domestic gas transportation</u>	<u>International gas transit</u>	<u>Unallocated</u>	<u>Total</u>
Sales	1,092,023	244,956	-	1,336,979
Other income	<u>8,570</u>	<u>-</u>	<u>52,954</u>	<u>61,524</u>
Total revenue	1,100,593	244,956	52,954	1,398,503
Depreciation	(123,074)	(32,660)	(3,825)	(159,559)
Operating expenses other than depreciation	<u>(726,500)</u>	<u>(54,431)</u>	<u>(15,978)</u>	<u>(796,909)</u>
Operating result	-	-	-	442,035
Net financial gain	-	-	-	19,696
Profit before tax	-	-	-	461,731
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,393)</u>
Net profit				384,338
Segment assets	3,078,494	488,786	405,357	3,972,637
Segment liabilities	773,411	10,286	120,158	903,855
Capital expenditure	169,549	1,024	9,052	179,625
Non-cash expenses other than depreciation	1,795	545	7,043	9,383

The assets presented for the two main operating segments comprise mainly tangible and intangible assets, inventory and receivable and exclude mainly the cash and bank accounts.

Unallocated assets include:

Fixed assets	55,784
Financial assets	65,384
Cash	274,074
Other assets	<u>10,115</u>
	405,357

Unallocated liabilities include:

Deferred tax	80,044
Tax payable	26,808
Other liabilities	<u>13,306</u>
	120,158

The liabilities presented for the two main operating segments consist of the operating liabilities and loans contracted by the Company for the acquisition of the assets for the respective segments.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

The non-cash expenses other than depreciation consist of the receivables impairment charge and the inventory impairment, other risk provisions

The transit activity is provided to only two foreign customers, while the transportation activity is provided for a number of domestic customers. The revenues from transportation services are obtained as follows: 76% from distribution companies and 23% from eligible (large) customers.

	<u>Domestic customers</u>	<u>Foreign customers</u>	<u>Total</u>
Turnover	1,092,023	244,956	1,336,979
Other income	<u>61,524</u>	<u>-</u>	<u>61,524</u>
	<u>1,153,547</u>	<u>244,956</u>	<u>1,398,503</u>

All the Company's assets are located in Romania. All the Company's activities are carried out in Romania.

The Company has receivables from foreign customers in amount of RON 22,163 thousand (2010: RON 21,295 thousand; 2009: 21,616 thousand).

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2010 is as follows:

	<u>Domestic gas transportation</u>	<u>International gas transit</u>	<u>Unallocated</u>	<u>Total</u>
Sales	1,054,014	254,089	-	1,308,103
Other income	<u>5,661</u>	<u>-</u>	<u>23,965</u>	<u>29,626</u>
Total revenue	1,059,675	254,089	23,965	1,337,729
Depreciation	(106,892)	(33,351)	(2,750)	(142,993)
Operating expenses other than depreciation	(704,122)	(46,957)	(13,325)	(764,404)
Operating result	-	-	-	430,332
Net financial gain	-	-	-	8,284
Profit before tax	-	-	-	438,616
Income tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>(71,167)</u>
Net profit				367,449
Segment assets	3,044,280	520,638	307,498	3,872,416
Segment liabilities	725,166	11,469	112,601	849,236
Capital expenditure	440,919	1,793	19,913	462,625
Non-cash expenses other than depreciation	14,306	763	876	15,945

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

6. SEGMENT INFORMATION (CONTINUED)

The assets presented for the two main operating segments comprise mainly tangible and intangible assets, inventory and receivable and exclude mainly the cash and bank accounts.

The liabilities presented for the two main operating segments consist of the operating liabilities and loans contracted by the Company for the acquisition of the assets for the respective segments.

The non-cash expenses other than depreciation consist of the receivables impairment charge and the inventory impairment and other risk provisions.

The transit activity is provided to only two foreign customers, while the transportation activity is provided for a number of domestic customers. The revenues from transportation services are obtained as follows: 76% from distribution companies and 22% from eligible (large) customers.

	<u>Domestic customers</u>	<u>Foreign customers</u>	<u>Total</u>
Turnover	1,054,014	254,089	1,308,103
Other income	<u>29,626</u>	<u>-</u>	<u>29,626</u>
	<u>1,083,640</u>	<u>254,089</u>	<u>1,337,729</u>

All the Company's assets are located in Romania. All the Company's activities are carried out in Romania.

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2009 is as follows:

	<u>Domestic gas transportation</u>	<u>International gas transit</u>	<u>Unallocated</u>	<u>Total</u>
Sales	939,194	242,736	-	1,181,930
Other income	<u>5,701</u>	<u>-</u>	<u>26,359</u>	<u>32,060</u>
Total revenue	944,895	242,736	26,359	1,213,990
Depreciation	(100,060)	(33,390)	(2,262)	(135,712)
Operating expenses other than depreciation	<u>(670,668)</u>	<u>(43,653)</u>	<u>(7,568)</u>	<u>(721,889)</u>
Operating result	-	-	-	356,389
Net financial gain	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,653</u>
Profit before tax	-	-	-	374,042
Taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>(133,517)</u>
Net profit				240,525
Segment assets	2,664,651	551,649	268,293	3,484,593
Segment liabilities	515,161	36,952	123,455	675,568
Capital expenditure	148,943	2,911	7,874	159,728
Non-cash expenses other than depreciation	14,363	305	899	15,567

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

The assets presented for the two main operating segments comprise mainly tangible and intangible assets, inventory and receivable and exclude mainly the cash and bank accounts.

The liabilities presented for the two main operating segments consist of the operating liabilities and loans contracted by the Company for the acquisition of the assets for the respective segments.

The non-cash expenses other than depreciation consist of the receivables impairment charge, the inventory impairment, other risk provisions.

The Company's management also analyses revenues based on the customers' location, into domestic or foreign.

The transit activity was provided only for the foreign customers, while the transportation activity is provided for the domestic customers.

	<u>Domestic customers</u>	<u>Foreign customers</u>	<u>Total</u>
Turnover	939,194	242,736	1,181,930
Other income	<u>32,060</u>	<u>-</u>	<u>32,060</u>
	971,254	242,736	1,213,990

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u>	<u>Transportation system assets</u>	<u>Other fixed assets</u>	<u>Assets in course of construction</u>	<u>Total</u>
Year ended 31 December 2009					
Cost at 1 January 2009	215,319	750,118	196,753	9,288	1,171,478
Accumulated depreciation at 1 January 2009	<u>(72,596)</u>	<u>(215,547)</u>	<u>(136,110)</u>	-	<u>(424,253)</u>
Opening net book value	142,723	534,571	60,643	9,288	747,225
Additions	-	3,266	314	28,228	31,808
Transfers	7,367	-	23,583	(30,950)	-
Disposals (Net book value)	(86)	-	(276)	-	(362)
Depreciation charge	<u>(6,694)</u>	<u>(29,253)</u>	<u>(16,554)</u>	-	<u>(52,501)</u>
Closing net book value	143,310	508,584	67,710	6,566	726,170
Cost	222,556	753,384	212,519	6,566	1,195,025
Accumulated depreciation	<u>(79,246)</u>	<u>(244,800)</u>	<u>(144,809)</u>	-	<u>(468,855)</u>
Net book value	<u>143,310</u>	<u>508,584</u>	<u>67,710</u>	<u>6,566</u>	<u>726,170</u>
Year ended 31 December 2010					
Opening net book value, as reported	143,310	508,584	67,710	6,566	726,170
Additions	1,754	18,453	48	40,156	60,411
Transfers	19,211	1,470	8,709	(29,390)	-
Disposals (Net book value)	(794)	-	(342)	-	(1,136)
Depreciation charge	<u>(6,451)</u>	<u>(30,169)</u>	<u>(16,467)</u>	-	<u>(53,087)</u>
Closing net book value	157,030	498,338	59,658	17,332	732,358
Cost	242,231	773,306	214,281	17,332	1,247,150
Accumulated depreciation	<u>(85,201)</u>	<u>(274,968)</u>	<u>(154,623)</u>	-	<u>(514,792)</u>
Net book value	<u>157,030</u>	<u>498,338</u>	<u>59,658</u>	<u>17,332</u>	<u>732,358</u>
Year ended 31 December 2011					
Opening net book value, as reported	157,030	498,338	59,658	17,332	732,358
Additions	-	14,749	617	9,721	25,087
Transfers	1,463	823	22,462	(24,748)	-
Disposals (Net book value)	(209)	-	(118)	-	(327)
Depreciation charge	<u>(7,141)</u>	<u>(31,088)</u>	<u>(16,722)</u>	-	<u>(54,951)</u>
Closing net book value	151,143	482,822	65,897	2,305	702,167
Cost	242,552	788,878	232,609	2,305	1,266,344
Accumulated depreciation	<u>(91,409)</u>	<u>(306,056)</u>	<u>(166,712)</u>	-	<u>(564,177)</u>
Closing net book value	<u>151,143</u>	<u>482,822</u>	<u>65,897</u>	<u>2,305</u>	<u>702,167</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The gross book value of fully depreciated tangible assets still in use is RON 119,845 thousand (2010: RON 109,329 thousand; 2009: RON 88,255 thousand).

For the assets developed by the Company which are not crucial for providing the service under the concession agreement, the State has the option to purchase these assets at the end of the concession agreement. The Company does not have an obligation to maintain these assets until the end of the concession agreement and is allowed to sell them. These assets are not within the scope of IFRIC 12. All other assets which are part of the National Gas Transportation Network, including improvements made subsequent to the signature of the concession agreement and which are to be handed over to ANRM at the end of the concession agreement are within the scope of IFRIC 12.

Transportation assets used to provide transit services are not within the scope of IFRIC 12.

8. SERVICE CONCESSION AGREEMENT

In May 2002, the Company concluded a S.C.A. with ANRM giving the Company the right to operate the major pipelines (trunk pipelines) of the national gas transportation system for a period of 30 years. Prior to the conclusion of this agreement, the pipelines were owned by the Company. All the modernisation or developments added by the Company to the system are considered parts of the system and become property of the ANRM at the end of their useful life. The Company can not sell any asset which is part of the pipeline system; disposals can only be made based on approval by the Romanian State.

At the end of the contract, the public property assets existing at the time when the agreement was signed and all the investments made to the system will be returned to the State free of charge. The Company owns and will develop other assets that are not a direct part of the national gas pipeline transportation system, but represent complementary assets for the gas transportation operations. The ANRM has the option to buy these assets at the end of the S.C.A. at fair value.

The main terms of the S.C.A. are as follows:

- the Company has the right to directly operate the assets being the object of the S.C.A. and to charge and collect the transit and transportation tariffs from its customers in exchange for the services provided; the Company is the only entity licensed to operate the major pipelines of the national gas transportation system, with no sub-concessions being allowed;
- any change in tariffs should be proposed by the Company to the ANRM and further approved by ANRE;
- the Company is exempted from the payment of import duties for assets acquired in order to operate, improve or develop the system;
- on an annual basis, the Company should publish the available capacity of the system for the next year, by October 30;

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

8. SERVICE CONCESSION AGREEMENT (CONTINUED)

- on an annual basis, customers' orders must be replied to by November 30, and ANRM should be informed of all the refusals decided by the Company's management;
- the Company has to maintain a specific service level (guaranteed through a minimum compulsory investment program);
- royalties are paid as a percentage (up to 30 September 2007: 5%, starting October 2007: 10%) of gross revenue from operating the pipeline network (transportation and transit);
- all operating expenses for running the system are covered by the Company;
- the Company can cancel the contract by notifying the ANRM 12 month in advance;
- the ANRM can cancel the contract with 6 month advance notification in case of default; it has also the option to cancel the contract with a 30 days notification period, for "national interest" reasons; in such case, the Company will be paid compensation amounting to the average net profit for the past 5 years multiplied by remaining life of the contract.

The S.C.A. does not include an automatic extension clause.

No changes in the terms of the S.C.A. have occurred since June 2003.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

9. INTANGIBLE ASSETS

	<u>S.C.A. asset</u>	<u>Computer software</u>	<u>Intangible assets in progress</u>	<u>Total</u>
At 31 December 2009				
Cost at 1 January 2009	4,581,242	45,687	210,210	4,837,139
Accumulated amortisation at 1 January 2009	<u>(2,830,429)</u>	<u>(35,868)</u>	-	<u>(2,866,297)</u>
Opening net book value	1,750,813	9,819	210,210	1,970,842
Additions	-	-	357,494	357,494
Transfers	125,199	6,496	(131,695)	-
Amortisation	<u>(73,999)</u>	<u>(9,212)</u>	-	<u>(83,211)</u>
Closing net book value	1,802,013	7,103	436,009	2,245,125
Cost	4,696,964	52,182	436,009	5,185,155
Accumulated amortisation	<u>(2,894,951)</u>	<u>(45,079)</u>	-	<u>(2,940,030)</u>
Net book value	<u>1,802,013</u>	<u>7,103</u>	<u>436,009</u>	<u>2,245,125</u>
At 31 December 2010				
Opening net book value	1,802,013	7,103	436,009	2,245,125
Additions	-	8,064	371,976	380,040
Transfers	414,576	-	(414,576)	-
Disposals	-	(595)	(8,064)	(8,659)
Amortisation	<u>(84,480)</u>	<u>(5,426)</u>	-	<u>(89,906)</u>
Closing net book value	2,132,109	9,146	385,345	2,526,600
Cost	5,121,015	59,451	385,345	5,565,811
Accumulated amortisation	<u>(2,988,906)</u>	<u>(50,305)</u>	-	<u>(3,039,211)</u>
Net book value	<u>2,132,109</u>	<u>9,146</u>	<u>385,345</u>	<u>2,526,600</u>
At 31 December 2011				
Opening net book value	2,132,109	9,146	385,345	2,526,600
Additions	-	4,592	94,917	99,509
Transfers	134,919	-	(134,919)	-
Disposals	-	-	(4,591)	(4,591)
Amortisation	<u>(98,768)</u>	<u>(5,840)</u>	-	<u>(104,608)</u>
Closing net book value	2,168,260	7,898	340,752	2,516,910
Cost	5,255,934	64,042	340,752	5,660,728
Accumulated amortisation	<u>(3,087,674)</u>	<u>(56,144)</u>	-	<u>(3,143,818)</u>
Net book value	<u>2,168,260</u>	<u>7,898</u>	<u>340,752</u>	<u>2,516,910</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

10. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets consist of unlisted equities in the following companies:

Company	Activity	% Ownership <u>2011</u>	% Ownership <u>2010</u>	% Ownership <u>2009</u>	<u>31 Dec 2011</u>	<u>31 Dec 2010</u>	<u>31 Dec 2009</u>
Resial SA	manufacturing	68,16	68,16	68,16	18,116	18,116	18,116
Mebis SA	manufacturing	17,47	17,47	17,47	6,462	6,462	6,462
	gas distribution						
Wirom Gas SA	and supply	-	-	0,02	-	-	3
Nabucco Gas Pipeline International GmbH	gas transportation	16,67	16,67	16,67	65,384	38,333	14,420
Nabucco Gaz Pipeline LTD Sirketi		0,5	0,5	-	-	-	-
Less provision for impairment of investments in Resial and Mebis					(24,578) <u>65,384</u>	(24,578) <u>38,333</u>	(24,578) <u>14,423</u>

Investment in Resial SA

The shares in Resial SA were received in December 2003 through enforced collection of receivables from a customer. Resial has entered liquidation procedures in 2006; the process is carried out by an insolvency practitioner appointed by the court and is outside the Company's control, therefore the investment is not consolidated and is carried at cost less impairment provision at 100% of cost. A loan made to Resial SA has also been fully impaired, Management does not expect that the Company will recover any amounts from this investment and the Company does not guarantee any residual liabilities of Resial SA.

Investment in Mebis SA

The shares in Mebis SA were received in February 2004 through enforced collection of receivables from a customer. Mebis SA is in liquidation, therefore the whole investment in Mebis SA was provided for. The Company has no obligations in respect of Mebis SA.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

10. AVAILABLE FOR SALE FINANCIAL ASSETS (CONTINUED)

Investment in Nabucco Gas Pipeline International GmbH

Nabucco Gas Pipeline International GmbH ("NIC") is a limited liability company, with headquarters in Vienna, Austria, established in order to undertake the construction of a gas pipeline from Turkey through Bulgaria, Romania and Hungary to Austria.

Transgaz participated with four other shareholders in the share capital of this company, each holding a participation of 20% of the share capital. In February 2008, the share capital of NIC was increased through the contribution of a new shareholder, RWE Gas Midstream Germany. Therefore, each of the six shareholders currently owns a participation of 16.67% of the share capital.

In 2010 the contribution of SNTGN Transgaz SA to NIC share capital was increased with 5,6 million EUR and in 2011 the contribution was in amount of 6,4 million EUR.

Investment in Nabucco Gas Pipeline Limited Şirketi

On 18 June 2010 was set up NABUCCO GAS PIPELINE LIMITED ŞIRKETI Turkey located in Ankara (subsidiary of Nabucco Gas Pipeline International GmbH), The company has 5 shareholders: Nabucco Gas Pipeline International GmbH, BOTAS-Turkey, Bulgarian Energy Holding EAD-Bulgaria, SNTGN Transgaz SA-România, MOL-Hungary and OMV Gas &Power GmbH – Austria .

The share capital of NABUCCO GAS PIPELINE LIMITED ŞIRKETI is of TRL 5,000, consisting of 200 shares, each with a nominal value of TRL 25. The share capital was subscribed as follows: Nabucco Gas Pipeline International GmbH 98% and each of the other parties contributed 0.5% of capital.

11. INVENTORIES

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Gas stock	10,388	-	-
Spare parts, materials and work in progress	40,053	35,560	40,574
Provision for slow moving inventories	<u>(7,215)</u>	<u>(7,931)</u>	<u>(5,697)</u>
	<u>43,226</u>	<u>27,629</u>	<u>34,877</u>

As per the Order of ANRE no 2 issued on 20 January 2011, 20 thousand cm (212 thousand MWh) of gas stock was acquired and stored in underground storages.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade receivables	387,395	369,716	322,772
Advances to suppliers	978	1,409	201
VAT recoverable	4,152	3,386	4,158
Loan to Resial SA (Note 10)	1,782	1,782	1,782
Other receivables	19,392	22,915	10,181
Provision for impairment of receivables	(34,550)	(46,217)	(76,596)
Provision for impairment of other receivables	<u>(8,346)</u>	<u>(3,006)</u>	<u>(1,782)</u>
	<u>370,803</u>	<u>349,985</u>	<u>260,716</u>
Trade and other receivables, non current	—	—	6,716
Trade and other receivables, total	<u>370,803</u>	<u>349,985</u>	<u>267,432</u>

As at 31 December 2011, RON 25,231 thousand (31 December 2010: RON 25,411 thousand; 31 December 2009: RON 21,616 thousand) of net trade and other receivables are denominated in foreign currency, of which 74% in USD (2010: 70%; 2009: 74%) and 26% in EUR (2010: 30%; 2009: 26%).

Included in trade receivables are balances from related parties of RON 79,356 thousand (31 December 2010: RON 56,440 thousand; 31 December 2009: RON 55,820 thousand) as presented in Note 27.

Trade receivables have been pledged in favour of banks as collateral for bank loans as described in Note 16. The total amount of pledged receivables as at 31 December 2011 is RON 225,718 thousand (31 December 2010: RON 209,705 thousand; 31 December 2009: RON 60,761 thousand).

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Analysis by credit quality of trade and other receivables is as follows:

		2011		2010		2009	
	Trade	Other	Trade	Other	Trade	Other	
	receivables	financial	receivables	financial	receivables	financial	
		receivables		receivables		receivables	
Current and not impaired (1)	<u>181,267</u>	<u>14,696</u>	<u>193,600</u>	<u>23,772</u>	<u>184,448</u>	<u>7,823</u>	
Non current and not impaired							6,716
Past due but not impaired							
- less than 30 days overdue	124,790	60	99,844	2,514	35,935	-	
- 30 to 90 days overdue	46,193	2,105	24,337	74	1,012	-	
- over 90 days overdue	<u>595</u>	<u>1,097</u>	<u>5,718</u>	<u>126</u>	<u>31,498</u>	<u>-</u>	
Total past due but not impaired (2)	<u>171,578</u>	<u>3,262</u>	<u>129,899</u>	<u>2,714</u>	<u>68,445</u>	<u>-</u>	
Individually determined to be impaired (gross)							
- less than 30 days overdue	-	-	-	-	852	-	
- 30 to 90 days overdue	1,661	228	2,181	6	20	-	
- 90 to 360 days overdue	292	5,929	615	443	12,260	-	
- over 360 days overdue	<u>32,597</u>	<u>2,189</u>	<u>43,421</u>	<u>2,557</u>	<u>63,463</u>	<u>1,782</u>	
Total individually impaired	34,550	8,346	46,217	3,006	76,596	1,782	
Less impairment provision	<u>34,550</u>	<u>8,346</u>	<u>46,217</u>	<u>3,006</u>	<u>76,596</u>	<u>1,782</u>	
Total trade and other receivables (1+2)	<u>352,845</u>	<u>17,958</u>	<u>323,499</u>	<u>26,486</u>	<u>252,893</u>	<u>14,539</u>	

The credit quality of financial assets neither past due not impaired can be assessed by reference to historical information about counterparty default rates.

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Group 1	140,598	143,323	136,824
Group 2	<u>40,669</u>	<u>50,277</u>	<u>47,624</u>
Trade receivables	<u>181,267</u>	<u>193,600</u>	<u>184,448</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

Group 1 – existing customers/ related parties with no defaults in the past

Group 2 - existing customers/ related parties with some delays in payment in the past. Most of the arrears were fully recovered.

The movements in allowance account are presented below:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Provision as at 1 January 2011	49,223	78,378	94,542
Unused amounts reversed (Note 23)	<u>6,327</u>	<u>29,155</u>	<u>16,164</u>
Provision as at 31 December 2011	<u>42,897</u>	<u>49,223</u>	<u>78,378</u>

13. CASH AND CASH EQUIVALENTS

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash at bank in RON	112,672	113,758	180,231
Cash at bank in foreign currency	161,283	83,626	14,654
Other cash equivalents	<u>192</u>	<u>127</u>	<u>1,681</u>
	<u>274,147</u>	<u>197,511</u>	<u>196,566</u>

For the purpose of the cash flow statement, cash and cash equivalents include:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash and cash equivalents	274,147	197,511	196,566
Overdraft (Note 16)	<u>(7,786)</u>	<u>-</u>	<u>-</u>
	<u>266,361</u>	<u>197,511</u>	<u>196,566</u>

The weighted average effective interest rate on short term bank deposits was 5.07 % at 31 December 2011 (31 December 2010: 5.88%; 31 December 2009: 15.85%) and these deposits had an average maturity of 30 days . Included in cash at bank are also bank deposits with original maturity of less then 3 months.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM

	<u>Number of ordinary shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Total</u>
Statutory				
At 31 December 2009	11,773,844	117,738	247,479	365,217
At 31 December 2010	11,773,844	117,738	247,479	365,217
At 31 December 2011	11,773,844	117,738	247,479	365,217
IFRS				
Hyperinflation adjustment to share capital cumulative to 31 December 2003	-	441,419	-	441,419
At 31 December 2011, 31 December 2010, 31 December 2009	<u>11,773,844</u>	<u>559,157</u>	<u>247,479</u>	<u>806,636</u>

The authorised number of ordinary shares is RON 11,773,844 thousand (31 December 2010: RON 11,773,844 thousand; 31 December 2009: RON 11,773,844 thousand) with a nominal value of RON 10 each. Each share carries one vote. The shareholders structure at 31 December 2011 is presented below:

	<u>Number of ordinary shares</u>	<u>Statutory amount (RON)</u>	<u>Percentage (%)</u>
Romanian State, represented by Ministry of Economy and Commerce („MEC”)	8,654,917	86,549,170	73.5097
Other shareholders	1,354,307	13,543,070	11.5027
Fondul „Proprietatea” SA	<u>1,764,620</u>	<u>17,646,200</u>	<u>14.9876</u>
	<u>11,773,844</u>	<u>117,738,440</u>	<u>100.0000</u>

The shareholders structure at 31 December 2010 is presented below:

	<u>Number of ordinary shares</u>	<u>Statutory amount (RON)</u>	<u>Percentage (%)</u>
Romanian State, represented by MEC	8,654,970	86,549,700	73.5102
Fondul „Proprietatea”	1,764,620	17,646,200	14.9876
Other shareholders	<u>1,354,254</u>	<u>13,542,540</u>	<u>11.5022</u>
	<u>11,773,844</u>	<u>117,738,440</u>	<u>100.0000</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

14. SHARE CAPITAL AND SHARE PREMIUM (CONTINUED)

The shareholders structure at 31 December 2009 is presented below:

	<u>Number of ordinary shares</u>	<u>Statutory amount</u> (RON)	<u>Percentage</u> (%)
Romanian State, represented by MEC	8,655,053	86,550,530	73.5109
Fondul „Proprietatea”	1,764,620	17,646,200	14.9876
Other shareholders	<u>1,354,171</u>	<u>13,541,710</u>	<u>11.5015</u>
	<u>11,773,844</u>	<u>117,738,440</u>	<u>100.0000</u>

In its statutory books, the Company has included in share capital certain revaluation differences for revaluations made prior to 31 December 2001. For the purposes of these financial statements, such increases have not been recognised as the hyperinflationary adjustments on fixed assets were recognised annually in the Statement of Comprehensive Income up to 31 December 2003. Consequently, in these financial statements the Company has only recorded share capital contributed in cash or kind, inflated from the date of the original contribution to 31 December 2003 and the share capital increases which occurred after 1 January 2004 have been recognised in nominal amounts.

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS

Other reserves

Prior to adoption of IFRIC 12, a reserve corresponding to public property assets (Notes 3.8 and 5.2) was included as part of equity under the heading “Public Property Reserves” at the value of the respective assets restated for the inflation up to 1 January 2004. This was renamed “Other reserves” upon adoption of IFRIC 12 (Note 3.5), to reflect the change in status of the related assets.

Legal reserve

In accordance with Romanian legislation and its Articles of Incorporation, the Company has to transfer five percent of its profits per statutory financial statements to a statutory reserve which can accumulate up to 20% of the statutory share capital. The balance of the statutory reserve, which is not available for distribution at 31 December 2011, amounted to RON 23,548 thousand (31 December 2010: RON 23,548 thousand; 31 December 2009: RON 23,548 thousand). The legal reserve is included within “Retained earnings” in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

15. OTHER RESERVES, LEGAL RESERVE AND RETAINED EARNINGS (CONTINUED)

Dividends distribution

During year ended 31 December 2011, the Company has declared and distributed a dividend per share of RON 28.77 from the prior year profit (2010: RON 13.02 per share; 2009: RON 10.47 per share). Total dividends declared from 2010 profits are RON 338,736 thousand (dividends declared from 2009 profit: RON 153,294 thousand; dividends declared from 2008 profit: RON 123,273 thousand).

Prior to 2010, in accordance with Government Ordinance 64/2001, companies in which the State has a majority ownership had to distribute at least 50% of their statutory net profit - after deduction of any contractual profit distributions to employees - as dividends. Distribution to employees is recognised in profit or loss.

According to Government Emergency Ordinance no. 55/2010 the companies in which the State has a majority ownership are required to distribute at least 90% of their 2010 distributable statutory net profit as dividends.

16. LONG TERM BORROWINGS

Non-current portion of long term borrowings

	<u>Currency</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
IBRD loan	USD	-	2,425	4,506
Unicredit Tiriac	RON	-	15,885	37,063
BRD Group Societe Generale ("GSG")	RON	<u>72,000</u>	<u>60,400</u>	-
		<u>72,000</u>	<u>78,710</u>	<u>41,569</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

16. LONG TERM BORROWINGS (CONTINUED)

Current portion of long term borrowings:

	<u>Currency</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
IBRD loan	USD	2,527	2,492	2,123
Gazprombank loans	USD	-	-	28,277
Efibanca loan	EUR	-	-	2,470
ABN Amro Bank loan	EUR	-	-	5,103
Unicredit Tiriac	RON	15,885	21,179	21,179
BRD	RON	<u>24,000</u>	<u>15,100</u>	-
		<u>42,412</u>	<u>38,771</u>	<u>59,152</u>

A description of the long term borrowing is as follows:

IBRD loan

The loan from the International Bank for Reconstruction and Development ("IBRD" - RO 3723) was provided for the rehabilitation of the oil and gas sector in Romania under a Project Agreement signed on 1 June 1994.

As holding company of the Romgaz group of companies, the entire loan was nominally repayable by SNGN Romgaz, the predecessor of the Company. However, in accordance with Government Decision 334/2000, following the restructuring of the gas sector in 2000, part of this borrowing was transferred to the newly created entities. The portion of the IBRD loan recognised by the Company is based upon an agreement concluded between the successor entities of SNGN Romgaz.

The Company also concluded a subsidiary loan agreement with the Ministry of Finance regarding its portion of this loan on 2 October 2001, and the original loan agreement between the Romanian Government and the IBRD has been amended to include the reorganisation of former Romgaz.

The loan is denominated in USD (the balances at 31 December 2011 and 2010 were USD 757 thousand and USD 1,535 thousand respectively; 2009: USD 2,258 thousand) and carries an interest rate of 0.5% over the cost of Qualified Borrowings as defined by the IBRD. The interest rate applicable in 2011 was approximately 11.22% (2010: approximately 9.5%; 2009: approximately 8.81%). Repayments are made twice a year. The principal and interest are repaid to the Ministry of Finance at least 15 days prior to the date of repayment by the Ministry of Finance to IBRD. Payments to Ministry of Finance may also be made in RON equivalent at the exchange rate at the date of payment plus a 5% refundable fee in order to protect the Ministry of Finance against foreign exchange losses and a 10% commission on the interest paid.

The loan is secured by a deposit pledged by the Company in favour of the Ministry of Finance. The deposit is equal to the following instalment to be repaid. As at 31 December 2011 the deposit amounts to USD 500,000 (31 December 2010: USD 507,666; 31 December 2009: USD 415,440).

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

16. LONG TERM BORROWINGS (CONTINUED)

The maturity of the IBRD loan is set out below:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	2,527	2,492	2,123
Between 1 and 2 years	-	2,425	2,281
Between 2 and 5 years	-	-	<u>2,225</u>
	<u>2,527</u>	<u>4,917</u>	<u>6,629</u>

Gazprombank loan

The Company contracted two loans from Gazprombank for investment projects. Both loans from Gazprombank are denominated in USD and were entirely drawn down by 31 December 2005.

First loan

On 24 November 1999, SNGN Romgaz contracted a loan from Gazprombank, in order to finance the first stage of the construction of a new gas transit pipeline in Dobrogea. After the reorganisation of SNGN Romgaz SA the loan was taken over by Transgaz SA, the Company also being in charge of the related investment project (the Dobrogea transit pipeline).

The loan is repayable in monthly instalments and bears an interest rate of 0.5% per month for the outstanding balance. The balance of the loan as at 31 December 2011 is nil (31 December 2010: nil; 31 December 2009: USD 4,204 thousand).

Second loan

The second loan agreement with Gazprombank was concluded on 8 February 2001 for partial financing of the Dobrogea pipeline.

The loan is repayable in monthly instalments. The loan bears an interest rate of one month LIBOR + 2%. The balance as at 31 December 2011 is nil (31 December 2010: nil; 31 December 2009: USD 5,427 thousand).

The aggregate maturity of the Gazprombank loans is set out below:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	-	-	<u>28,277</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

16. LONG TERM BORROWINGS (CONTINUED)

Efibanca loans

The loans from Efibanca Spa, a company belonging to Banca Popolare di Lodi banking group, were contracted in June 2003, September 2004 and January 2005 to finance the acquisition of valves and related installation services from TYCO Valves&Controls Italia SRL and RMA Germany. The loans are denominated in EUR and bear an interest of 4.38%, 3.87% and 3.60% per annum, respectively. The repayment of each drawing is done in ten bi-annual instalments. The balance as at 31 December 2011 is nil (31 December 2010: nil; 31 December 2009: EUR 584 thousand).

The maturity of the Efibanca loans is set out bellow,

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	—	—	<u>2,470</u>

ABN AMRO Bank Loan

The loan was contracted in December 2005 for financing the investments of the Company. The maximum amount of the credit facility was EUR 6,437 thousand.

The interest rate was EURIBOR one month + 0,95% if the ratio of Total Debt / EBITDA is less than 3 and EURIBOR one month + 1.5% if the ratio of Total Debt / EBITDA is greater than 3.

The maturity of the ABN AMRO loan is set out below:

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Within 1 year	—	—	<u>5,103</u>

Unicredit Tiriac loan

The loan was contracted on 31 October 2007 for funding of the Company's investment programme and carries an interest rate of BUBOR three months. The contracted value is RON 100,600 thousand. The loan was drawn completely and the repayments started in March 2008 in quarterly instalments.

The maturity of the Unicredit Tiriac loan is set out bellow:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	15,885	21,179	21,179
Between 1 and 2 years	—	15,885	21,178
Between 2 and 5 years	—	—	<u>15,885</u>
	<u>15,885</u>	<u>37,064</u>	<u>58,242</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

16. LONG TERM BORROWINGS (CONTINUED)

BRD GSG

The loan was contracted on 16 December 2010 for funding of the Company's investment programme and carries an interest rate of ROBOR three months + 0.5%. The contracted value is RON 120,000 thousand. The repayments will be made for a period of 5 years in quarterly instalments, the final repayment date being on 31 December 2015.

The maturity of the BRD GSG loan is set out bellow:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	24,000	15,100	-
Between 1 and 2 years	24,000	15,100	-
Between 2 and 5 years	<u>48,000</u>	<u>45,300</u>	-
	<u>96,000</u>	<u>75,500</u>	-

The loans from BRD GSG and Unicredit Tiriac are collateralised by receivables from E.ON Gaz Romania SA, Interagro, Electrocentrale Galati, Termoelectrica SA and GDF SUEZ Energy Romania.

BRD SGS overdraft

The BRD overdraft agreement was concluded in 2004 with a RON 20,000 ceiling. It was subsequently extended until 29 August 2014 and its ceiling increased to RON 100,000. The facility is secured with a pledge on receivables from the contract with Azomures in amount of RON 6,085 thousand as at 31 December 2011 (RON 6,980 thousand as at 31 December 2010; RON 6,620 thousand as at 31 December 2009). The balance on the overdraft facility was RON 7,786 at 31 December 2011 and nil 2010 and 2009. Interest rate as at 31 December 2011 is one year ROBOR + 0.7% p.a. (2010 and 2009: 1 year ROBOR + 0.9% p.a.).

The carrying amount of short-term borrowings approximates their fair value.

	<u>31 December 2011</u> (%)	<u>31 December 2010</u> (%)	<u>31 December 2009</u> (%)
Current portion of long term borrowings	42,412	38,771	59,152
Overdraft	<u>7,786</u>	-	-
	<u>50,198</u>	<u>38,771</u>	<u>59,152</u>

Effective interest rate

Effective interest rate by category of loan can be summarized as follows:

	<u>31 December 2011</u> (%)	<u>31 December 2010</u> (%)	<u>31 December 2009</u> (%)
Long term loans in USD	-	4.94	4.5
Long term loans in EUR	-	2.00	3.5
Long term loans in RON	6.45	5.89	12.9

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

16. LONG TERM BORROWINGS (CONTINUED)

Fair value

The carrying amounts and fair values of long-term borrowings are as follows:

	Carrying amounts 31 December			Fair values 31 December		
	2011	2010	2009	2011	2010	2009
IBRD	2,527	4,917	6,629	2,546	4,950	6,728
Gazprom	-	-	28,277	-	-	28,237
ABN(RBS)	-	-	5,103	-	-	5,197
Efibanca	-	-	2,470	-	-	2,481
Unicredit Tiriac	15,885	37,064	58,242	15,900	37,139	58,463
BRD GSG	<u>96,000</u>	<u>75,500</u>	<u>-</u>	<u>97,366</u>	<u>76,799</u>	<u>-</u>
	<u>114,412</u>	<u>117,481</u>	<u>100,721</u>	<u>115,812</u>	<u>118,888</u>	<u>101,106</u>

Fair value is determined based on the discounted value of the future cash flows, using a discount rate equal to the interest rate at which the management considers that the Company could obtain similar borrowings, as at the end of the reporting period.

The exposure of the Company's borrowings to interest rate changes is as follows:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Variable interest rate	114,412	117,481	85,909
Fixed interest rate	<u>-</u>	<u>-</u>	<u>14,812</u>
	<u>114,412</u>	<u>117,481</u>	<u>100,721</u>

The variable interest rate can be further analysed as follows:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Reset within 6 months or less	<u>114,412</u>	<u>117,481</u>	<u>85,909</u>

The Company has following undrawn facilities:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Facilities in RON	<u>92,214</u>	<u>45,000</u>	<u>45,000</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

17. DEFERRED INCOME

Deferred income consists of connection fees that are charged to customers for connecting them to the gas transportation network or assets received free of charge for connection to the transportation network. The Company uses the connection fees to acquire the assets necessary for the connection. The deferred income (shown as "revenue from connection fees") is released over the period in which related assets are depreciated (Note 22).

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Opening balance	296,388	174,729	127,920
Grants received	66,915	130,332	53,002
Revenues from connection fees (Note 22)	<u>(12,991)</u>	<u>(8,673)</u>	<u>(6,193)</u>
Closing balance	<u>350,312</u>	<u>296,388</u>	<u>174,729</u>

18. INCOME TAX

Income tax expense

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Income tax expense – current	82,689	75,153	62,649
Deferred tax – origination and reversal of temporary differences	<u>(5,296)</u>	<u>(3,986)</u>	<u>70,868</u>
Income tax expense	<u>77,393</u>	<u>71,167</u>	<u>133,517</u>

In 2011, 2010 and 2009, the Company accrued income taxes at the rate of 16% on profits computed in accordance with the Romanian tax legislation.

	<u>Year ending 31 December 2011 (%)</u>	<u>Year ending 31 December 2010 (%)</u>	<u>Year ending 31 December 2009 (%)</u>
Profit before taxation	<u>461,731</u>	<u>438,616</u>	<u>374,042</u>
Theoretical tax charge at statutory rate of 16% (2009: 16%)	73,877	70,179	59,847
Tax effect of items which are not deductible or assessable for taxation purposes:			
Non-taxable income	(22,789)	(24,974)	(3,221)
Non-deductible expenses	<u>26,305</u>	<u>25,962</u>	<u>76,891</u>
Income tax expense	<u>77,393</u>	<u>71,167</u>	<u>133,517</u>
Income tax liability, current	<u>26,808</u>	<u>22,126</u>	<u>25,794</u>

NOTES TO THE FINANCIAL STATEMENTS

(expressed in RON thousand, unless otherwise stated)

18. INCOME TAX (CONTINUED)

Deferred tax

Deferred tax assets/liabilities are measured at the enacted statutory effective tax rate of 16% as at 31 December 2011 (31 December 2010: 16%); 31 December 2009: 16%). Deferred tax assets and liabilities and deferred tax expense/(income) in the statement of comprehensive income are attributable to the following items:

	<u>31 December 2011</u>	<u>Adjusted movement</u>	<u>31 December 2010</u>	<u>Movement</u>	<u>1 January 2010</u>	<u>Movement</u>	<u>1 January 2009</u>
Deferred tax liabilities							
Property, plant and equipment	84,674	(3,445)	88,119	(3,421)	91,540	68,345	23,195
Trade receivables	-	(1,304)	1,304	(1,458)	2,762	2,762	-
Deferred tax assets							
Accruals	-	-	-	1,249	(1,249)	(46)	(1,203)
Adjustments to inventories	-	-	-	-	-	(11)	11
Provision for employee benefits	(4,630)	(547)	(4,083)	(356)	(3,727)	(182)	(3,545)
	<u>80,044</u>	<u>(5,296)</u>	<u>85,340</u>	<u>(3,986)</u>	<u>89,326</u>	<u>70,868</u>	<u>18,458</u>

The increase in deferred tax in 2009 relating to temporary differences in property, plant and equipment balances, was due to a change in tax legislation in 2009, following which the excess of the revalued amount of property, plant and equipment over historic amount is considered non-deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

18. INCOME TAX (CONTINUED)

The amounts shown in the statement of financial position include the following:

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Deferred tax liabilities to be settled after more than 12 months as reported	<u>80,044</u>	<u>85,340</u>	<u>89,326</u>

19. TRADE AND OTHER PAYABLES

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Trade payables	105,939	112,798	74,521
Suppliers of fixed assets	30,696	45,934	37,943
Dividends payable	7,187	4,913	4,449
Payable to Ministry of Economy and Commerce (see below)	51,718	51,718	51,718
Royalty liabilities	40,301	39,534	37,864
Other taxes	16,682	12,067	13,524
Employees payable	19,507	11,123	17,160
VAT payable	17,573	16,739	21,117
Other liabilities	<u>2,149</u>	<u>1,826</u>	<u>3,224</u>
	<u>291,752</u>	<u>296,652</u>	<u>261,520</u>

In 2005 MEC decided to charge the Company the equivalent of late payment interest for declared and unpaid dividends dating from the period 2000-2003. Being payable to the sole shareholder at the time, in substance they represented an additional distribution to shareholders. The majority shareholder of the Company has informed the management that the payment of these penalties can be deferred until further notice, allowing the Company use of the respective amount for continuing to upgrade the gas transportation network.

As at 31 December 2011, RON 4,151 thousand (31 December 2010: RON 5,883 thousand; 31 December 2009: RON 3,500 thousand) of trade and other payables are denominated in foreign currency, mainly EUR and USD.

Included in trade payables are balances due to related parties of RON 56,979 thousand (31 December 2010: RON 53,364 thousand; 31 December 2009: RON 58,580 thousand), as presented in Note 27.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

20. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
<i>Current provision</i>			
Provision for warranty	2,628	534	185
Provision litigation	<u>1,176</u>	<u>5,202</u>	-
	<u>3,804</u>	<u>5,736</u>	<u>185</u>

21. PROVISION FOR EMPLOYEE BENEFITS

Employee benefits

Under the collective labour contract, the Company is required to pay its employees at the time of their retirement a lump-sum amount equal to a multiplier of their gross salary depending on the employment period in the gas industry, working conditions, etc. The present value of the provision was determined using the Projected Unit Credit Method. The following assumptions were used in the computation of the provision: a salary indexation rate related to the productivity increase rate, a staff turnover based on historical data and the time frame when the benefits are to be paid. The provision has been discounted to its present value by applying a discount factor based on the forward rate computed using Smith-Willson method applied to yield curve of government bonds denominated in RON issued by the Ministry of Public Finance during 2007-2011. In 2009, 2010 and 2011 a risk free interest rate was used (i.e. interest rate on government bonds issued in October 2010). Substantially all the amounts are payable in over one year.

The principal actuarial assumptions used for the computation at 31 December 2011 were as follows:

- a) Discount rate:
 - The following values were used: long term inflation rate 2% p.a, real yield long term rate for government bonds 2.2% pa, forward rate 4.2% pa, illiquidity rate for Romania 0%;
- b) Inflation rate for 2011 was 3.14% and for the period 2012-2013 was estimated to be 3.5% pa, for 2014-2026 3% pa and following a decreasing pattern afterwards;
- c) Salary increase rate – for 2011 and subsequent years a salary increase rate of 3% over the consumer price index was estimated;
- d) The mortality rate during employment was based on the Romanian Mortality Table issued by the Romanian National Institute of statistics.

The principal actuarial assumptions used for the computation at 31 December 2010 were as follows:

- e) Discount rate:
 - For 2010 was considered 9.98%, being the 5 years RON denominated government bond issued in October 2010;
 - For the following years was considered a decreasing trend and used an extrapolation along the real yield curve;
- f) Inflation rate was estimated to be 4% p.a. for the period 2010-2011, and following a decreasing pattern afterwards;
- g) Salary increase rate – for 2010 no increase was considered. For subsequent years a salary increase rate of 3% over the consumer price index was estimated;

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

21. PROVISION FOR EMPLOYEE BENEFITS (CONTINUED)

- h) The mortality rate during employment was based on the Romanian Mortality Table issued by the Romanian National Institute of statistics.

Movement in provision for employee benefits

1 January 2009	22,156
Unwinding of the discount	2,052
Decrease of provision	<u>(915)</u>
31 December 2009	<u>23,293</u>
Unwinding of the discount	2,258
Decrease of provision	<u>(38)</u>
31 December 2010	<u>25,513</u>
Unwinding of the discount	2,158
Increase of provision	<u>1,266</u>
31 December 2011	<u>28,937</u>

22. OTHER INCOME

	<u>Year ending</u> <u>31 December 2011</u>	<u>Year ending</u> <u>31 December 2010</u>	<u>Year ending</u> <u>31 December 2009</u>
Income from penalties for late payment charged to customers	30,287	9,964	17,521
Revenue from connection fees	12,991	8,673	6,193
Revenues from rent	1,734	1,508	2,139
Revenues from sale of scrap materials	127	6	1,742
Revenues from design services	3,558	2,763	2,461
Sale of investment in Romexterra	-	11	-
Other operating revenues	<u>12,827</u>	<u>6,701</u>	<u>2,004</u>
	<u>61,524</u>	<u>29,626</u>	<u>32,060</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

23. OTHER OPERATING EXPENSES

	Year ending 31 December 2011	Year ending 31 December 2010	Year ending 31 December 2009
Pipeline inspections	2,021	791	3,108
Sponsorship expenses	3,672	6,284	3,477
Utilities	6,309	5,513	5,160
Insurance premiums	1,691	1,526	5,191
Maintenance expenses	4,175	1,868	1,202
Security services	9,643	8,641	7,147
Design services	1,513	3,480	1,622
Training services	1,053	1,094	414
Telecom	3,782	3,850	4,043
Loss on disposal of fixed assets, net	(389)	1,281	270
Bank and other commissions	1,075	913	876
Rent	842	1,117	933
Bad debts written off	2,823	43	28
Impairment loss on accounts receivable (credit)	(6,327)	(29,155)	(16,164)
Impairment loss/(gain) on inventory	(716)	2,234	573
Changes in inventory of finished goods and work in progress	(2,739)	1,554	(3,694)
Research expenses	583	699	1,610
Marketing and protocol expenses	2,161	2,396	2,603
Penalties and fines	5,113	2,890	681
Other	<u>11,420</u>	<u>10,486</u>	<u>15,506</u>
Total	<u>47,705</u>	<u>27,505</u>	<u>34,586</u>

24. NET FINANCIAL INCOME/ (EXPENSE)

	Year ending 31 December 2011	Year ending 31 December 2010	Year ending 31 December 2009
Foreign exchange gains	40,399	19,158	3,618
Interest income	18,719	14,836	34,718
Other finance income	-	171	117
Finance income	59,118	34,165	38,453
Foreign exchange losses	(30,180)	(20,871)	(9,674)
Interest expense	(7,084)	(2,749)	(9,074)
Unwinding of the discount provision for employee benefit	(2,158)	(2,258)	(2,052)
Other finance loss	-	(3)	-
Finance costs	<u>(39,422)</u>	<u>(25,881)</u>	<u>(20,800)</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

25. CASH GENERATED FROM OPERATIONS

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Profit before tax	461,731	438,616	374,042
<i>Adjustments for:</i>			
Depreciation and amortisation	159,559	142,993	135,712
Loss on disposal of fixed assets	(389)	1,281	270
Provisions for liabilities and charges	(1,932)	5,551	185
Revenues from connection fees	(12,991)	(8,673)	(6,193)
Provision for employee benefits	1,266	2,220	1,137
Release of provisions for impairment of Receivables	(6,327)	(29,155)	(16,164)
Impairment loss/(gain) on inventory	(716)	2,234	573
Bad debts written off	2,823	43	28
Interest expense	7,084	2,749	9,074
Unwinding of discount	2,158	2,258	2,052
Interest income	(18,719)	(14,836)	(34,718)
Effect of exchange rate changes on non-operating items	(153)	823	1,664
Other revenue	<u>(1,236)</u>	<u>-</u>	<u>-</u>
Operating profit before working capital changes	592,158	546,104	467,662
Increase in trade and other receivables	(27,015)	(80,824)	(43,150)
(Increase)/Decrease in inventories	(14,881)	5,018	4,908
Increase / (decrease) in trade and other payables	<u>10,624</u>	<u>49,206</u>	<u>(10,627)</u>
Cash generated from operations	<u>560,886</u>	<u>519,504</u>	<u>418,793</u>

26. OTHER EMPLOYEE BENEFITS

According to the collective labour agreements, during 2009, 2010 and 2011, the employees were entitled to receive free of charge the equivalent of 6,500 cubic meters of gas a year per employee (computed at monthly medium domestic price per cubic meter). The total amount of benefits granted to employees during financial year 2011 is RON 50,813 thousand (2010: RON 49,930 thousand, 2009: RON 50,898 thousand). The average price in 2011 for 1000 mc is RON 1,247 (nominal – 117.51 RON/MwH). The average price in 2010 for 1000 mc is RON 1,254 (nominal – 115 RON/MwH).

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party, to exercise significant influence over the other party in making financial or operational decisions, is under common control with another party, is a joint venture in which the entity is a venturer or is part of the key management personnel as defined by IAS 24 "Related Party Disclosure". In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

During the years ended 31 December 2011 and 31 December 2010 and 31 December 2009 the following transactions were carried out with related parties and the following balances were payable/receivable at the respective dates:

i) Revenues from related parties – services provided (VAT excluded)

	<u>Relationship</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
SNGN Romgaz	Entity under common control	912	2,159	2,877
Termoelectrica	Entity under common control	10,534	5,410	11,194
Electrocentrale Deva SA	Entity under common control	6,332	5,970	8,312
Electrocentrale București SA	Entity under common control	144,065	129,071	124,247
Electrocentrale Galați SA	Entity under common control	<u>22,390</u>	<u>22,866</u>	<u>22,739</u>
		<u>184,233</u>	<u>165,476</u>	<u>169,369</u>

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

ii) Receivables from related parties

	<u>Relationship</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
SNGN Romgaz	Entity under common control	195	208	14
Termoelectrica (net of provision)	Entity under common control	4,070	1,140	1,903
Electrocentrale Deva SA	Entity under common control	1,935	1,081	820
Electrocentrale București SA	Entity under common control	66,513	46,717	48,906
Electrocentrale Galați SA	Entity under common control	<u>6,643</u>	<u>7,294</u>	<u>4,177</u>
		<u>79,356</u>	<u>56,440</u>	<u>55,820</u>

iii) Acquisitions of gas from related parties (net of VAT)

	<u>Relationship</u>	<u>Year ended 31 December 2011</u>	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>
SNGN Romgaz	Entity under common control	<u>143,588</u>	<u>134,173</u>	<u>148,877</u>

iv) Acquisitions of services from related parties (other services – net of VAT)

	<u>Relationship</u>	<u>Year ended 31 December 2011</u>	<u>Year ended 31 December 2010</u>	<u>Year ended 31 December 2009</u>
Termoelectrica	Entity under common control	6	-	-
SNGN Romgaz	Entity under common control	1,402	235	39
Electrocentrale Deva SA	Entity under common control	19	12	21
Electrocentrale București SA	Entity under common control	<u>12</u>	<u>10</u>	<u>11</u>
		<u>1,439</u>	<u>257</u>	<u>71</u>

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

27. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

v) Payables to related parties

	<u>Relationship</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
SNGN Romgaz	Entity under common control	<u>56,812</u>	<u>53,346</u>	<u>58,576</u>

vi) Payables to related parties (other services)

	<u>Relationship</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
SNGN Romgaz	Entity under common control	146	1	1
Electrocentrale București SA	Entity under common control	1	1	1
Electrocentrale Deva SA	Entity under common control	<u>20</u>	<u>16</u>	<u>2</u>
		<u>167</u>	<u>18</u>	<u>4</u>

vii) Connection fees paid

	<u>Relationship</u>	<u>31 December 2011</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Termoelectrica	Entity under common control	<u>4,923</u>	<u>7,682</u>	<u>-</u>

viii) Key management compensation

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Salaries paid to key management	<u>4,461</u>	<u>3,664</u>	<u>3,807</u>

ix) Loan to related party

	<u>Year ending 31 December 2011</u>	<u>Year ending 31 December 2010</u>	<u>Year ending 31 December 2009</u>
Loan to Resial SA	1,782	1,782	1,782
less provision for impairment of loan	<u>(1,782)</u>	<u>(1,782)</u>	<u>(1,782)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Dividends distributed are presented in Note 15. Royalties paid are presented in Note 3.8.

NOTES TO THE FINANCIAL STATEMENTS
 (expressed in RON thousand, unless otherwise stated)

28. EARNINGS PER SHARE

The Company's shares are listed under the first category of the Bucharest Stock Exchange. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	<u>Year ending</u> <u>31 December 2011</u>	<u>Year ending</u> <u>31 December 2010</u>	<u>Year ending</u> <u>31 December 2009</u>
Profit attributable to equity holders of the Company	384,338	367,449	240,525
Weighted average number of shares	11,773,844	11,773,844	11,773,844
Basic and diluted earnings per share (RON per share)	32.64	31.21	20.43

29. SIGNIFICANT NON-CASH TRANSACTIONS

Mutual cancellations

Approximately 0.15% of accounts receivable were settled via non-cash transactions during the year ended 31 December 2011 (2010: 2%; 2009: 4%). The transactions represent mainly sale of products and services in exchange for raw materials and services or cancellation of mutual balances with customers and suppliers within the operating cycle.

Barter transactions

There were no barter transactions during 2011 and 2010 and 2009.

30. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

i) **Commitments**

The Service Concession Agreement (S.C.A.-Note 8) specifies that, at the end of its term., ANRM has the right to receive back, free of any charge or encumbrance, all public property assets existing at the time when the agreement was signed and all the investments which are done to the gas pipeline system, according to the investments programme set out in the S.C.A.. The Company also has other obligations in respect of the S.C.A.as described in Note 8.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

30. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS (CONTINUED)

ii) Taxation

The Romanian taxation system has recently undergone a process of consolidation and harmonisation with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (accruing at a rate of approximately 0,04% daily in 2011, same for 2010). In Romania, tax periods remain open for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

iii) Insurance policies

The Company holds no insurance policies in relation to its operations, product liability, or in respect of public liability. The Company has insurance policies for buildings and mandatory third party liability insurance for its car fleet. Furthermore, the Company concluded professional indemnity insurance for 59 managers (54 managers in 2010 and 2009).

iv) Environmental matters

Environmental regulations are developing in Romania and the Company has not recorded any liability at 31 December 2011 or 31 December 2010 and 31 December 2009 for any anticipated costs, including legal and consulting fees, site studies, the design and implementation of remediation plans, related to environmental matters. Management do not consider the costs associated with environmental issues to be significant.

v) Legal proceedings

From time to time, claims against the Company are received. On the basis of its own estimates and both internal and external professional advice the Company's management is of the opinion that no material losses will be incurred in respect of claims in excess of provisions that have been made in these financial statements and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

vi) Government policy in the gas sector in Romania

ANRE is an autonomous public body and establishes the gas transportation tariffs charged by the Company. It is possible that the Agency might decide to implement any changes in Governmental strategies in the gas sector, which could lead to changes to the tariffs authorised for the Company and hence significantly impact the Company's revenue. Similarly, Romanian Government may decide to change the royalty charged to the company for use of the public property assets under its service concession agreement (Note 8).

It is not possible to establish at this stage the effects, if any, of future Government policy in the gas sector in Romania on the value of the assets and liabilities of the Company.

NOTES TO THE FINANCIAL STATEMENTS
(expressed in RON thousand, unless otherwise stated)

31. SUBSEQUENT EVENTS

The Government Ordinance 827/2010 approves the sale of 15% of Company shares, owned by the MEC through public offer. An authorised specialist was selected in accordance with the legislation, the consortium made up of: Raiffeisen Capital & Investment SA, Wood & Company Financial Services and BT Securities SA.

The shareholders decision dated 10 February 2012 approves the Company's participation to the consolidated budget of Nabucco Gas Pipeline International GmbH for the first semester of 2012 with EUR 10.21 million.

The Board of Directors proposed during the meeting held on 5 March 2012 a dividend of RON 29,76 per share.